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**SHULLY'S
INDUSTRIES LIMITED**

Annual Report 1967



SHULLY'S INDUSTRIES LIMITED

EXECUTIVE OFFICES:

73 WINGOLD AVENUE, TORONTO 19, ONTARIO

DIRECTORS:

MAURICE SHULLY
 HAROLD IRWIN SHULLY
 GILBERT JAY SHULLY
 RAPHAEL DAVID WOLFE
 LEON ELLIOT WEINSTEIN
 ALBERT SHIFRIN, Q.C.
 LIONEL B. WHITE

OFFICERS:

MAURICE SHULLY,
President
 HAROLD IRWIN SHULLY,
Vice-President and Secretary
 GILBERT JAY SHULLY,
Vice-President and Treasurer
 MAURICE BRONNER,
Comptroller
 HARRY HIBLOOM,
Assistant Comptroller

TRANSFER AGENTS AND REGISTRAR:

GUARANTY TRUST COMPANY OF CANADA

AUDITORS:

PAPE, STROM, SHERMAN & LAVINE

BANKERS:

CANADIAN IMPERIAL BANK OF COMMERCE



SHULLY'S INDUSTRIES LIMITED

INTERIM REPORT
 FOR THE SIX MONTHS
 ENDED JULY 31, 1967



SHULLY'S INDUSTRIES LIMITED

AND SUBSIDIARY COMPANIES

INTERIM REPORT TO SHAREHOLDERS

My previous reports to Shareholders outlined a programme of integration, development of new products, expansion of territories and opening of new Company operated branches. This programme has been time-consuming, costly and one of many problems. I am now happy to report that the results of our efforts are most gratifying, as is indicated in this six months statement of our current year.

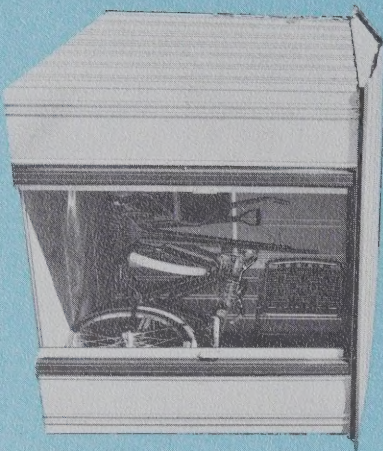
We enter the second half of this current year with the largest backlog of orders in the history of our business and it is to be hoped the full year will show remarkable improvement over any in the past.

This report reflects the co-operation and efforts of your Management team and Board of Directors, to whom I am most grateful.

We look forward with a great deal of anticipation for the continuance of this programme of increased sales and profits.

On behalf of the Board of Directors

MAURICE SHULLY,
President.



STORALL
"stores all"

CONSOLIDATED STATEMENT OF INCOME

FOR SIX MONTHS ENDED JULY 31, 1967

	1967	1966
Sales	\$3,713,948	\$3,127,567
Cost of Sales, Selling and Administrative expenses (Before undernoted items)	\$3,522,936	\$3,051,148
Provision for depreciation and amortization	27,147	26,988
Debtenture Interest	18,837	19,824
Bank Interest	29,649	20,825
Income before taxes	\$3,598,569	\$3,118,785
Income taxes	115,379	8,782
Net Income	59,500	2,020
Earnings per share (after preferred dividends of \$18,750)	\$ 55,879	\$ 6,762
	11.46	(3.76)

SOURCE AND APPLICATION OF FUNDS

FOR SIX MONTHS ENDED JULY 31, 1967

	1967	1966
Source of Funds		
Net Income	\$ 55,879	\$ 6,762
Depreciation, not requiring a cash outlay	27,147	26,988
Other	3,235	2,080
Funds provided from operations	\$ 86,261	\$ 35,830
Increase in unearned finance charges	14,932	19,714
	\$ 101,193	\$ 55,544
Application of Funds		
Acquisition of fixed assets	\$ 4,754	\$ 28,455
Redemption of debentures	8,400	4,500
Special refundable tax	8,831	1,002
Dividends	16,264	32,529
	\$ 38,249	\$ 66,486
Increase (decrease) in working capital	\$ 62,944	(\$ 10,942)
Working capital at beginning of period	1,239,245	1,190,722
Working capital at end of period	\$1,302,189	\$1,179,780

All figures subject to independent year-end audit

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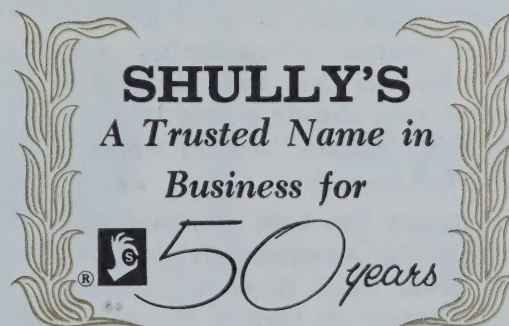
GUARANTY TRUST COMPANY OF CANADA

AUDITORS:

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Report to the Shareholders

My previous reports to the shareholders have always held out the promise of increased efforts to produce greater sales volume by the expansion of territories and creation of new products, but always with the view of producing increased earnings.

I can now report partial success in achieving our goal, which is reflected in the fact that the sales for the year just completed are the highest in the Company's history. Profits, however, show a decrease of approximately \$7,000. or two cents per common share, due to the cost of opening three new retail outlets and in the marketing of our new "Storall" line.

In order to introduce the "Storall" line it was necessary to develop and create jobber outlets. This was accomplished by exhibiting our products at many Trade Shows across Canada, after which we test-marketed the product until its acceptability was proven. In the process, the development costs of this line had been absorbed in the past year's operations, but in this regard we had exercised caution in having a substantial portion of the component parts manufactured for us on a sub-contract basis. Once customer acceptance had been assured, we commenced the manufacture of all the parts in our own plant. Shipments to date and the backlog of booked orders dealing with "Storalls" for the first three months of the current year already exceed the total shipments of "Storalls" for the whole of the past year.

The Company has been extremely fortunate in having assembled Triple-A distributors from coast to coast. Each of these distributors in turn is responsible for serving a network of jobbers and

dealers within their own province. In addition, we exhibited our products during the latter part of 1966 at a trade fair in London, England, and have as a result appointed a most reputable dealer representative in the United Kingdom. A sizeable volume of products have already been shipped to this area in this current year.

In March, 1967, we were finally able to overcome a portion of the burden which we have been carrying since 1963 when the major oil companies introduced a policy of free oil burner service to users of domestic fuel oil. This has been accomplished by an increase in the selling price of fuel oil announced by the major oil companies, which will improve the profit structure in the fuel oil department.

In the aluminum division there is further relief in sight inasmuch as the industry has at long last increased the level of retail prices in order to cover increased labour, material and distribution costs. We have followed suit as of April, 1967, and look forward to an improved showing for this department as well.

In 1967, while Canada marks its centennial year and Shully's its fiftieth year of business in Canada, we look forward very confidently to our own celebration, namely, anticipation of a substantial increase in earnings, the result of years of experience in experimentation, creation and development of new products.

I would like to express my personal thanks and gratitude to the members of the Board of Directors, to our employees and customers for the part they have played in furthering the efforts of your Company.

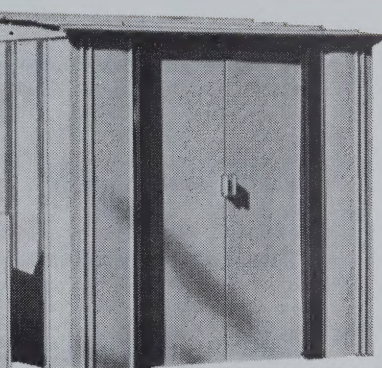
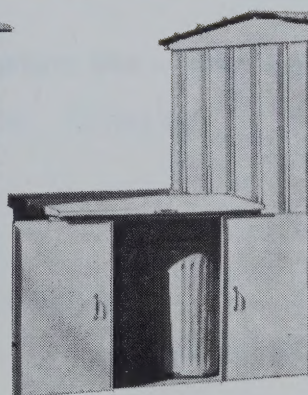
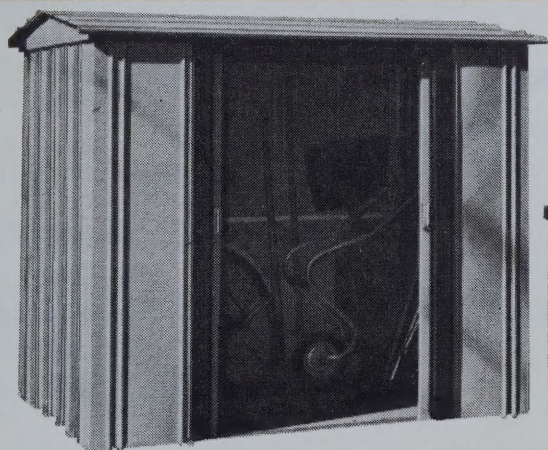
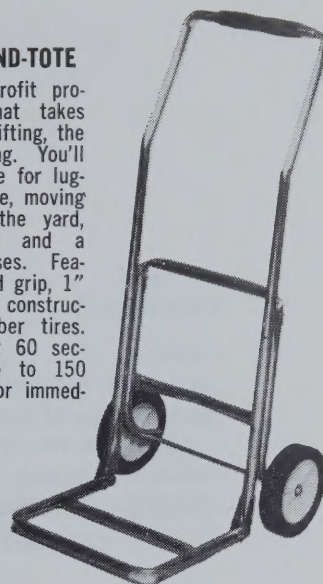
MAURICE SHULLY,
President

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**NEW PRODUCTS
TO PRODUCE
TOP PROFITS!**

SUBURBAN HAND-TOTE

A fast moving, profit producing carrier that takes the strain out of lifting, the work out of toting. You'll sell a lot of these for lugging out the refuse, moving fertilizer around the yard, carrying firewood and a hundred other uses. Features non-slip hand grip, 1" tubular aluminum construction, big 7" rubber tires. Assembles in just 60 seconds. Carries up to 150 lbs. Order now for immediate sales.



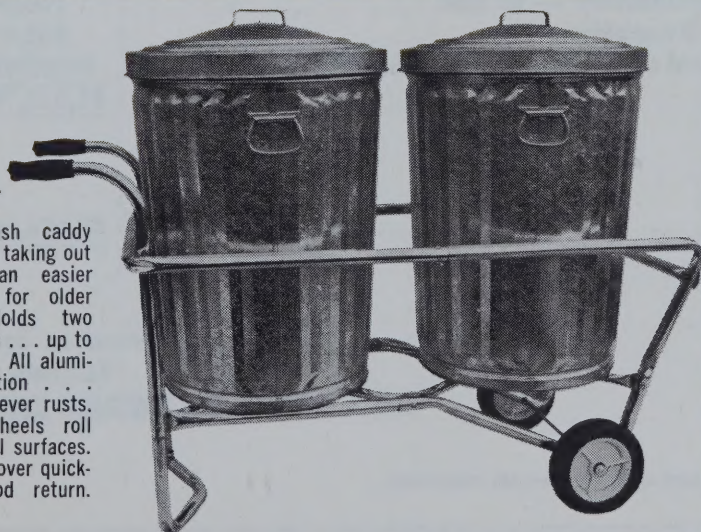
STORALL LOCKERS

At last your customers can get their cars in the garage. The Storall Locker handles lawn furniture, mowers, barbecue, bikes and garden tools with ease. Big, easy access doors on Du Pont nylon

rollers give years and years of use. 3 popular sizes to choose from. Here's an item every homeowner would like to have. Also available, the Storall Refuse Locker that hides unsightly garbage cans forever. Get the facts on Storall today, and build a brighter profit future for your store.

DOMESTIC TRASH CART

Here's a trash caddy that will make taking out the refuse an easier chore. Ideal for older customers. Holds two giant size cans . . . up to 26 gallon size. All aluminum construction . . . light, bright, never rusts. 7" rubber wheels roll smoothly on all surfaces. Priced to turn-over quickly, at a good return. Order today.



STORALL®



**SHULLY'S
INDUSTRIES LIMITED**

SHULLY'S INDUSTRIES LIMITED**CONSOLIDATED BALANCE SHEET****Assets**

	1967	1966
CURRENT		
Cash	\$ 66,350	\$ 22,152
Accounts receivable, less allowance for doubtful accounts	2,241,310	2,086,647
Inventories of raw materials, work in process and finished goods— at the lower of cost or net realizable value	546,187	442,664
Advances to salesmen and employees	84,217	81,274
Sundry investments and deposits	26,602	22,563
Prepaid expenses	113,271	108,258
TOTAL CURRENT ASSETS	<u>\$3,077,937</u>	<u>\$2,763,558</u>
 Unamortized development costs — new products	<u>\$ 38,834</u>	<u>\$ 45,307</u>
 FIXED — (note 2)		
Motor vehicles	\$ 246,816	\$ 251,772
Plant and equipment	450,990	400,383
	<u>\$ 697,806</u>	<u>\$ 652,155</u>
 Less — Accumulated depreciation	383,058	338,010
	<u>\$ 314,748</u>	<u>\$ 314,145</u>
 OTHER		
Fuel oil distribution accounts	\$ 938,335	\$ 938,335
Goodwill on acquisition of subsidiary — at cost	100,000	100,000
Patents, patent rights and franchises	552,810	552,810
Debenture discount, issue and other expenses — unamortized	52,639	64,875
	<u>\$1,643,784</u>	<u>\$1,656,020</u>
 TOTAL ASSETS	<u>\$5,075,303</u>	<u>\$4,779,030</u>

Approved on behalf of the Board:
MAURICE SHULLY (Director)
GILBERT JAY SHULLY (Director)

The attached notes form an integral part of these financial statements.

AND SUBSIDIARY COMPANIES

.....AS AT JANUARY 31, 1967

Liabilities

CURRENT

	1967	1966
Bankers' advances (secured)	\$1,219,924	\$ 832,155
Accounts payable and accrued liabilities	518,858	585,981
Income taxes payable	80,380	133,764
Other taxes	19,530	20,936
TOTAL CURRENT LIABILITIES	\$1,838,692	\$1,572,836
Unearned finance charges	\$ 129,811	\$ 92,329
6% Convertible debentures — maturing March 7, 1972 (note 3)	634,800	665,300
	\$ 764,611	\$ 757,629
TOTAL LIABILITIES	\$2,603,303	\$2,330,465

Shareholders' Equity

CAPITAL STOCK (note 4)

Authorized:

300,000 3% Non-cumulative, redeemable, convertible, voting,
preference shares, par value \$5.00 each

2,000,000 Common shares of no par value

Issued and fully paid:

250,000 Preference shares	\$1,250,000	\$1,250,000
325,287 Common shares	1,030,988	1,030,988
	<u>\$2,280,988</u>	<u>\$2,280,988</u>
RETAINED EARNINGS	191,012	167,577
	<u>\$2,472,000</u>	<u>\$2,448,565</u>

	<u>\$5,075,303</u>	<u>\$4,779,030</u>
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SHULLY'S INDUSTRIES LIMITED

CONSOLIDATED STATEMENT OF INCOME

For Year Ended January 31, 1967

	1967	1966
SALES	\$7,104,398	\$6,401,529
COST OF SALES, SELLING AND ADMINISTRATIVE EXPENSES		
(Before undernoted items)	\$6,681,010	\$5,981,718
Provision for depreciation and amortization	54,681	49,435
Debenture interest	39,524	40,766
Bank interest	60,218	45,989
	<u>\$6,835,433</u>	<u>\$6,117,908</u>
INCOME BEFORE TAXES THEREON	\$ 268,965	\$ 283,621
INCOME TAXES	137,596	145,593
NET INCOME	<u>\$ 131,369</u>	<u>\$ 138,028</u>
Earnings per share (after preferred dividends)	<u>.29</u>	<u>.31</u>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

For Year Ended January 31, 1967

	1967	1966
BALANCE — Beginning of year	\$ 167,577	\$ 170,664
ADD		
Net income for year	131,369	138,028
Gain on 6% convertible debentures, purchased for cancellation	4,354	3,846
	<u>\$ 303,300</u>	<u>\$ 312,538</u>
DEDUCT		
Dividends paid:		
— 3% Non-cumulative preference shares	\$ 37,500	\$ 37,500
— Common shares	65,057	65,057
	<u>\$ 102,557</u>	<u>\$ 102,557</u>
Debenture discount and issue expenses amortized	9,731	10,136
Adjustment of prior years' income taxes		32,268
	<u>\$ 112,288</u>	<u>\$ 144,961</u>
BALANCE — End of year	<u>\$ 191,012</u>	<u>\$ 167,577</u>

AUDITORS' REPORT

PAPE, STROM, SHERMAN & LAVINE

CHARTERED ACCOUNTANTS

220 BAY STREET

TORONTO 1

To the Shareholders of
Shully's Industries Limited

We have examined the consolidated balance sheet of Shully's Industries Limited and its subsidiary companies as at January 31, 1967, and the consolidated statements of income and retained earnings for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and related consolidated statements of income and retained earnings present fairly the financial position of Shully's Industries Limited and its subsidiary companies as at January 31, 1967, and the results of their combined operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PAPE, STROM, SHERMAN & LAVINE

Chartered Accountants.

Toronto, Canada,

April 17, 1967.

NOTES TO THE FINANCIAL STATEMENTS

For Year Ended January 31, 1967

- 1 PRINCIPLES OF CONSOLIDATION** — The financial statements include the accounts of Shully's Industries Limited and the following wholly-owned subsidiary companies: Shully's Automatic Heating and Cooling Co. Limited, Adsa Acceptance Corporation Limited and The Dumont Aluminum Limited.
- 2 FIXED ASSETS** — Fixed assets as at February 1, 1962, were recorded on the books and accounts at appraised value, and subsequent additions have been recorded at cost. Depreciation has been calculated in accordance with generally accepted accounting principles applied to appraised values or original cost, whichever was applicable.
- 3 6% CONVERTIBLE DEBENTURES** — The debentures mature on March 7, 1972, and are subject to redemption and eligible for conversion under the provisions of a trust indenture dated March 7, 1962, between the company and The Guaranty Trust Company of Canada, as trustee. The debentures are secured by a first floating charge on the assets of the company. During the year \$30,500 principal amount of debentures were purchased for cancellation for an aggregate cash consideration of \$26,792.
- 4 CAPITAL STOCK** — Provision has been made to set aside 329,350 common shares of the authorized capital of the company to meet the requirements for the conversion of the 6% convertible debentures and the preference shares presently outstanding.
- 5 STOCK OPTIONS** — During the current year the company established an Executive and Key Employees' stock option plan and 20,000 common shares have been reserved for this purpose. Options have been granted under the plan for 17,300 shares at a price of \$1.57½ per share and are exercisable up to January 19, 1972. No shares had been issued under this plan as at balance sheet date.

No shares were issued during the year under the previous stock option plan, which plan has now been terminated.
- 6 DIRECTORS' REMUNERATION** — The total remuneration received by the directors, as such, was \$550 (1966 — \$400) and salaries of those directors who are officers and employees, were \$76,700 (1966 — \$76,700).
- 7 LONG-TERM LEASES** — The companies have entered into long-term leasing agreements for the rental of real property extending to December 31, 1971. Aggregate annual rental payments of \$61,160 are required to June 30, 1970, and \$33,300 per annum for the remainder of the term.

